

The Impacts of Oil and Natural Gas Production in New Mexico on San Juan County

A Summary of Important Economic and Revenue Issues

San Juan County Summary

San Juan County is an oil and natural gas producing area in the San Juan Basin. In 2013, San Juan County producers shipped 1,080 thousand barrels of oil worth \$86 million and 394.1 million MCF of natural gas worth \$1,639 million. Oil and natural gas production is important to the County both directly and indirectly. This summary details some of these important issues. Complete data are available on the accompanying CD.

1. What products and land types generate the OGAS production in San Juan County?

Product	Land Type	Sale Period	Volume	Value (\$1,000)	Price	Ratio to Spot	Total Dedns (\$1,000)	Dedns %	Net Value (\$1,000)
OIL (BBLs)	F	FY11	662,336	\$50,828	\$76.74	86.0%	11.7%	\$5,945	11.7%
OIL (BBLs)	I	FY11	160,380	\$12,025	\$74.98	84.0%	16.9%	\$2,035	16.9%
OIL (BBLs)	P	FY11	80,606	\$6,145	\$76.23	85.4%	0.0%	\$2	0.0%
OIL (BBLs)	S	FY11	77,240	\$5,878	\$76.10	85.3%	10.8%	\$636	10.8%
OIL (BBLs)	All	FY11	980,562	\$74,876	\$76.36	85.6%	11.5%	\$8,618	11.5%
OIL (BBLs)	F	FY12	641,509	\$52,824	\$82.34	86.7%	11.9%	\$6,313	12.0%
OIL (BBLs)	I	FY12	1,364,057	\$16,108	\$11.81	12.4%	16.0%	\$2,583	16.0%
OIL (BBLs)	P	FY12	80,154	\$6,518	\$81.32	85.6%	0.0%	-\$1	0.0%
OIL (BBLs)	S	FY12	78,336	\$6,428	\$82.06	86.4%	11.6%	\$746	11.6%
OIL (BBLs)	All	FY12	2,164,056	\$81,878	\$37.84	39.8%	11.8%	\$9,641	11.8%
OIL (BBLs)	F	FY13	661,087	\$53,053	\$80.25	87.1%	12.3%	\$6,511	12.3%
OIL (BBLs)	I	FY13	145,693	\$11,360	\$77.98	84.6%	17.5%	\$1,988	17.5%
OIL (BBLs)	P	FY13	88,708	\$6,589	\$74.28	80.6%	0.0%	-\$1	0.0%
OIL (BBLs)	S	FY13	184,317	\$14,687	\$79.69	86.5%	13.9%	\$2,049	13.9%
OIL (BBLs)	All	FY13	1,079,805	\$85,690	\$79.36	86.1%	12.3%	\$10,547	12.3%
GAS (MCF)	F	FY11	338,308,900	\$1,796,702	\$5.31	127.8%	10.3%	\$499,911	27.8%
GAS (MCF)	I	FY11	12,688,040	\$74,382	\$5.86	141.1%	12.2%	\$19,126	25.7%
GAS (MCF)	P	FY11	65,582,286	\$327,056	\$4.99	120.0%	0.0%	\$54,794	16.8%
GAS (MCF)	S	FY11	43,021,449	\$230,416	\$5.36	128.9%	10.3%	\$65,051	28.2%
GAS (MCF)	All	FY11	459,600,675	\$2,428,556	\$5.28	127.2%	8.9%	\$638,881	26.3%
GAS (MCF)	F	FY12	325,705,363	\$1,541,472	\$4.73	155.6%	10.0%	\$466,417	30.3%
GAS (MCF)	I	FY12	22,277,184	\$91,611	\$4.11	135.2%	12.5%	\$31,574	34.5%
GAS (MCF)	P	FY12	73,740,426	\$323,112	\$4.38	144.0%	0.0%	\$66,761	20.7%

Product	Land Type	Sale Period	Volume	Value (\$1,000)	Price	Ratio to Spot	Total Dedns (\$1,000)	Dedns %	Net Value (\$1,000)
GAS (MCF)	S	FY12	41,179,421	\$198,653	\$4.82	158.6%	9.9%	\$53,989	27.2%
GAS (MCF)	All	FY12	462,902,394	\$2,154,848	\$4.66	153.0%	8.6%	\$618,740	28.7%
GAS (MCF)	F	FY13	276,072,424	\$1,154,732	\$4.18	121.3%	10.8%	\$320,223	27.7%
GAS (MCF)	I	FY13	14,128,571	\$48,925	\$3.46	100.4%	11.3%	\$17,272	35.3%
GAS (MCF)	S	FY13	36,619,790	\$152,547	\$4.17	120.8%	\$43,879	28.8%	\$108,668
GAS (MCF)	All	FY13	394,123,429	\$1,638,736	\$4.16	120.6%	\$424,621	25.9%	\$1,214,115

Note 1: "F" designates production on federal subsurface land, "P" designates production on private lands and "S" designates production on state lands.

Note 2: San Juan natural gas price is bolstered by liquids in the Gas Plant Products category. Unprocessed gas (34% of volume) averaged 93% premium to Henry Hub, while Gas Plant Products (10% of volume) averaged 448% premium to Henry Hub. See details below.

San Juan County in the mid-decade was the location of some experimental Helium production. While this production was not within the relevant production period of this report, the following table is included for historical reference.

Product	Land Type	Sale Period	Volume	Value (\$1,000)	Price	Total Dedns (\$1,000)	Dedns %	Net Value (\$1,000)
Helium (Mcf)	I	FY06	1,938	\$ 96,937	\$ 50.02	9.4%	\$ 9,075	9.4%
Helium (Mcf)	I	FY07	4,914	\$ 214,687	\$ 43.69	9.9%	\$ 21,182	9.9%
Helium (Mcf)	I	FY08	2,843	\$ 144,875	\$ 50.96	9.8%	\$ 14,215	9.8%

2. Is there more detail on specific product? The following is an extract of substantially more data available on the CD.

Product	Sale Period	Volume	Value (\$1,000)	Price	Ratio to Spot	Total Dedns (\$1,000)	Dedns %	Net Value (\$1,000)
OIL (BBLS)	FY11	554,013	\$42,010	\$75.83	85.0%	\$5,326	12.7%	\$36,684
OIL (BBLS)	FY12	592,771	\$47,950	\$80.89	85.1%	\$6,140	12.8%	\$41,810
OIL (BBLS)	FY13	671,014	\$53,425	\$79.62	86.4%	\$7,205	13.5%	\$46,221
CONDENSATE (BBLS)	FY11	426,905	\$32,933	\$77.14	86.5%	\$3,305	10.0%	\$29,628
CONDENSATE (BBLS)	FY12	412,390	\$34,075	\$82.63	87.0%	\$3,518	10.3%	\$30,556
CONDENSATE (BBLS)	FY13	405,782	\$32,290	\$79.58	86.4%	\$3,355	10.4%	\$28,935
PROCESSED GAS (MCF)	FY11	255,310,595	\$1,017,038	\$3.98	95.9%	\$238,790	23.5%	\$778,248
PROCESSED GAS (MCF)	FY12	260,092,461	\$829,745	\$3.19	104.9%	\$249,014	30.0%	\$580,731
PROCESSED GAS (MCF)	FY13	217,187,562	\$718,988	\$3.31	96.0%	\$157,709	21.9%	\$561,279
UNPROCESSED GAS (MCF)	FY11	158,616,374	\$593,248	\$3.74	90.0%	\$168,781	28.5%	\$424,467
UNPROCESSED GAS (MCF)	FY12	154,369,386	\$472,297	\$3.06	100.6%	\$149,914	31.7%	\$322,383
UNPROCESSED GAS (MCF)	FY13	134,200,855	\$417,682	\$3.11	90.3%	\$136,791	32.8%	\$280,891
GAS PLANT PRODUCTS (MCF)	FY11	45,673,706	\$818,270	\$17.92	431.3%	\$231,310	28.3%	\$586,960

Product	Sale Period	Volume	Value (\$1,000)	Price	Ratio to Spot	Total Dedns (\$1,000)	Dedns %	Net Value (\$1,000)
GAS PLANT PRODUCTS (MCF)	FY12	48,440,547	\$852,806	\$17.61	578.6%	\$219,813	25.8%	\$632,994
GAS PLANT PRODUCTS (MCF)	FY13	42,730,854	\$502,047	\$11.75	340.8%	\$130,115	25.9%	\$371,932
PIT, SKIM, OTHER (BBLS)	FY11	1,496	\$85	\$57.11	64.0%	\$7	7.8%	\$79
PIT, SKIM, OTHER (BBLS)	FY12	472	\$32	\$68.84	72.5%	\$3	10.6%	\$29
PIT, SKIM, OTHER (BBLS)	FY13	1,025	\$65	\$63.75	69.2%	\$5	8.3%	\$60
OIL LOST (BBLS)	FY11	382	\$24	\$62.55	70.1%	\$4	16.7%	\$20
OIL LOST (BBLS)	FY12	650	\$56	\$86.37	90.9%	\$13	22.5%	\$44
OIL LOST (BBLS)	FY13	3,815	\$21	\$5.46	5.9%	\$5	24.2%	\$16

3. What does this mean for state and local direct revenues from production in San Juan County?

Product	Sale Period	School Tax (\$1,000)	Severance Tax (\$1,000)	Conservation Tax (\$1,000)	AV Production (\$1,000)	Estimated Total AV Equipment Tax (\$1,000)
GAS	FY11	\$72,141	\$67,632	\$3,425	\$20,664	\$6,341.2
GAS	FY12	\$61,452	\$57,611	\$2,916	\$17,755	\$6,815.0
GAS	FY13	\$48,502	\$45,471	\$2,302	\$14,486	\$3,755.8
OIL	FY11	\$2,064	\$2,457	\$157	\$763	\$213.2
OIL	FY12	\$2,231	\$2,656	\$169	\$839	\$275.2
OIL	FY13	\$2,351	\$2,799	\$179	\$898	\$239.5

4. The industry also makes bonus payments for the rights to lease federal and state lands for production. These leases are primarily in the producing counties, but exploratory leases are also executed. Bonus payments for leases on federal land are shared with the State General Fund. Bonus payments for leases on state lands become part of the land maintenance fund, distributed to beneficiaries after deducting the expenses of the State Land Office.

State Land Office Lease Recent History

San Juan County			
Fiscal Year	Acres	Bid Amount (\$1,000)	Price/Acre
FY 2011	2,516	\$996	\$396
FY 2012	1,804	\$4,235	\$2,347
FY 2013	800	\$336	\$420

Note: Highlighted amounts are bids in excess of \$1,000 per acre.

San Juan County			
Fiscal Year	Acres	Bid Amount (\$1,000)	Price/Acre
FY 2010	-	-	
FY 2011	320	112	\$350
FY 2012	480	1	\$2
FY 2013	960	326	\$339

5. How about Gross Receipts Tax revenue to county and municipal governments for the NAICS codes 211110 - Oil & Gas Extraction, 213111 - Drilling Oil and Gas Wells and 213112 - Support activities for oil and gas operations? Refer to the main document for an explanation of the economic burden concept for Gross Receipts Tax.

San Juan County Gross Receipts Tax Activity									
Fiscal Year	NAICS Description	Count	Gross Receipts (\$1,000)	Txbl Gross Rcpts (\$1,000)	Gross Tax (\$1,000)	Derived Total Rate (%)	Approx. State (\$1,000)	Approx. County (\$1,000)	Approx. Muni (\$1,000)
FY2013	Oil & Gas Extraction	52	\$5,455	\$4,708	\$334	7.101%	\$185	\$39	\$110
FY2013	Drilling Oil and Gas Wells	76	\$2,663	\$2,175	\$147	6.759%	\$97	\$21	\$29
FY2013	OGAS Support Activities	1,422	\$250,949	\$133,200	\$9,233	6.931%	\$5,584	\$1,201	\$2,448
	Total OGAS-related	1,550	\$259,067	\$140,083	\$9,714	6.934%	\$5,866	\$1,261	\$2,587

Note: an asterisk in the "Count" column indicates that some activity was reported under this NAICS code in the County, but the detailed data were redacted for confidentiality. Where no asterisk appears in the column, no activity was reported. The Total row only includes the NAICS activity not redacted. Note also that in the course of 2013, a total of 31 counties had reported activity in at least one of the three NAICS codes. Only DeBaca and Mora Counties reported no gross receipts activity.

6. Put into context, this \$9.7 million of GRT derived in San Juan County in the three NAICS codes represents a significant portion of \$176 million total GRT impact.

Incorp Status	NAICS Description	Count	Gross Receipts (\$1,000)	Txbl Gross Rcpts (\$1,000)	Gross Tax (\$1,000)	state (\$1,000)	County/Muni (\$1,000)	Tribe, Nation, Pueblo (\$1,000)
Municipal	Oil & Gas Extraction	317	\$36,715	\$30,161	\$2,099	\$1,176	\$923	\$0
Municipal	Drilling Oil and Gas Wells	221	\$7,692	\$5,874	\$412	\$229	\$183	\$0
Municipal	OGAS Support Activities	4,467	\$4,295,292	\$1,311,854	\$91,473	\$51,162	\$40,311	\$0
Nation Non-Taxable	OGAS Support Activities	138	\$15,451	\$12,723	\$824	\$0	\$0	\$824
Nation Taxable	Oil & Gas Extraction	14	\$670	\$612	\$35	\$6	\$1	\$28
Nation Taxable	Drilling Oil and Gas Wells	13	\$930	\$938	\$50	\$9	\$0	\$40
Nation Taxable	OGAS Support Activities	134	\$3,465	\$3,478	\$225	\$34	\$12	\$180
Pueblo Non-Taxable	OGAS Support Activities	3	\$282	\$175	\$11	\$0	\$0	\$11

Incorp Status	NAICS Description	Count	Gross Receipts (\$1,000)	Txbl Gross Rcpts (\$1,000)	Gross Tax (\$1,000)	state (\$1,000)	County/Muni (\$1,000)	Tribe, Nation, Pueblo (\$1,000)
Unclassified	Oil & Gas Extraction	88	\$31,965	\$30,512	\$1,564	\$1,564	\$0	\$0
Unclassified	Drilling Oil and Gas Wells	58	\$10,052	\$8,321	\$426	\$426	\$0	\$0
Unclassified	OGAS Support Activities	1,177	\$1,391,511	\$419,062	\$21,477	\$21,477	\$0	\$0
Unincorporated	Oil & Gas Extraction	345	\$91,303	\$88,450	\$4,959	\$4,533	\$426	\$0
Unincorporated	Drilling Oil and Gas Wells	537	\$361,422	\$358,738	\$20,343	\$18,385	\$1,957	\$0
Unincorporated	OGAS Support Activities	4,065	\$726,410	\$555,864	\$32,260	\$28,488	\$3,772	\$0
All Jurisdictions	Oil & Gas Extraction	764	\$160,652	\$149,735	\$8,657	\$7,279	\$1,350	\$28
All Jurisdictions	Drilling Oil and Gas Wells	829	\$380,096	\$373,871	\$21,231	\$19,050	\$2,141	\$40
All Jurisdictions	OGAS Support Activities	9,984	\$6,432,412	\$2,303,156	\$146,270	\$101,161	\$44,094	\$1,015
		11,577	\$6,973,160	\$2,826,761	\$176,158	\$127,490	\$47,585	\$1,083

7. So, if you include the Gross Receipts Tax indirect economic burden and a substantial portion of the interest accruing to the General Fund from the Land Grant Permanent Fund (96+%) and the Severance Tax Permanent Fund (86%) attributable to oil and gas production in the state, what is the plausible percentage of the total General Fund derived from oil and gas production? Answer -- 31.5%

	FY 2013 General Fund Amount (\$ millions)	Approx. Amount paid by OGAS Industry State General Fund (\$ millions)	Approx. % OGAS
Gross Receipts Tax	\$1,913	\$128	6.7%
Compensating Tax	\$51	\$15	29.2%
Selective Sales Taxes	\$405	>0	0.0%
Gross PIT Withholding (CRS)	\$1,071	\$30	2.8%
PIT-Final Stlmts (TAA)	\$419	>0	0.0%
PIT TAA - Oil & Gas Withholding	\$90	\$90	100.0%
Fiduciary	\$7	>0	0.0%
Less: Trsf PIT Suspense	-\$340	>0	0.0%
Less: Trsf Retiree Health Care	-\$22	\$0	0.0%
Net Personal Income	\$1,226	\$120	9.8%
Corporate Income Tax	\$263	\$54	20.5%
Oil & Gas School Tax (see Note: below)	\$385	\$385	100.0%
7% Oil Conservation	\$21	\$20	95.2%
Natural Gas Processors	\$24	\$24	100.0%
Perm. Fund Income *	\$441	\$426	96.6%
Sev Tax Income Fund	\$176	\$152	86.0%
Federal Mineral Leasing *	\$460	\$408	88.7%

Land Office Inc. *	\$45	\$30	68.0%
Recurring General Fund/Total	\$5,590	\$1,761	31.5%

8. Since the oil and gas producing industry supports 31.5% of the State General Fund, this same percentage is the level of support by the OGAS industry is attributable to Public School and Higher Education funding in the County. More detail, for example the funding for Charter Schools in the County, is available on the CD.

General Fund OGAS Allocation Percentage for FY 2013				31.50%	
DISTRICT	2012-2013 Final Funded Program Costs Less Deducts	# Statewide Charters	OGAS Supported	San Juan County	
CHARTER SCHOOLS	\$157,188,734	95	\$49,514,452	2	\$1,216,296
Aztec	\$20,516,866		\$6,462,813	100%	\$6,462,813
Bloomfield	\$19,797,849		\$6,236,322	100%	\$6,236,322
Central	\$26,993,818		\$8,503,053	100%	\$8,503,053
Farmington	\$66,850,561		\$21,057,927	100%	\$21,057,927
Statewide Total	\$2,267,376,548		\$714,223,613		\$43,476,411
Note: highlighted cell is total OGAS support of statewide charter schools. Amount in final column is the OGAS support of County Charters					

FY 2012, Higher Education Support (\$1,000)		30.0%
Institution	Total Higher Education Formula Support	OGAS Supported
San Juan College	\$21,801	\$6,540
Total San Juan County	\$21,801	\$6,540
FY 2013, Higher Education Support (\$1,000)		31.5%
Institution	Total Higher Education Formula Support	OGAS Supported
San Juan College	\$23,199	\$7,308
Total San Juan County	\$23,199	\$7,308

9. The oil and natural gas production industry also supports the lion's share of state-authorized and funded capital outlay projects whether supported by Severance Tax Bonds or via general fund appropriations. All counties benefit from this funding. In addition to the capital outlay detailed here, the state has also established a Water Trust Fund that receives an annual tranche of 10% of the amount of Severance Tax Bonds. There is also a Tribal Projects Permanent Fund and a Colonias Project Fund that get an annual tranche of a percentage of Severance Tax Bonds. Details on these special funds will be provided in the next edition of this report. For this purpose, Oil and Natural Gas production provide 95% of Severance Tax Bond funding and 31.5% of General Fund appropriations.

Oil and Gas Support of Severance Tax and Other Capital Outlay Bond Programs					
OGAS % of STBs	95%			95%	
OGAS % of General Fund	30%			30%	
	SAN JUAN (\$1,000)		GRAND TOTAL (\$1,000)		
2007 CAPITAL OUTLAY PROJECTS	Projects	Amount	Projects	Amount	
Summary for County	95	\$19,343	3,448		\$721,609
General Fund	64	\$14,390	2,887		\$488,382
STBs	8	\$4,953	156		\$211,999
Other	0	\$0	7		\$19,178
Reauthorizations	23	\$0	377		\$0
Amount Attributable to Oil and Gas (Through STBs and GF)		\$15,156			\$527,563
2008 CAPITAL OUTLAY PROJECTS	Projects	Amount	Projects	Amount	
Summary for County	52	\$13,179	1,777		\$341,187
STBs	18	\$10,566	340		\$215,491
General Fund	34	\$2,613	1,434		\$122,996
Other Funds	0	\$0	3		\$2,700
Amount Attributable to Oil and Gas (Through STBF and GF)		\$10,822			\$241,615
Vetoed	4	\$218	187		\$7,033
2009 CAPITAL OUTLAY PROJECTS	Projects	Amount	Projects	Amount	
Summary for County	10	\$2,624	143		\$139,960
STBs	10	\$2,624	143		\$139,960
Amount Attributable to Oil and Gas (Through STBF and GF)		\$2,493			\$132,962
2009 SS CAPITAL OUTLAY SWAPS AND VOIDS	Projects	Amount	Projects	Amount	
Voids and reversions	12	\$2,352	236		\$185,971
Voided GF funding swapped for STB funding	12	\$2,152	240		\$144,697
New Project Added	1	\$1,500	1		\$1,500
PSCO Funding Omitted			1		\$31,600
Net Amount Attrib. to Oil and Gas (Through STBs and GF)		\$1,339			\$81,671
Vetoed	1	\$1,500	45		\$12,902
2010 2ND SS CAPITAL OUTLAY PROJECTS AND REAUTHORIZATIONS	Projects	Amount	Projects	Amount	
Summary for County					
STB funding			49		\$42,150
Other Funding			23		\$41,800
Reauthorizations			1		\$350
Amount Attributable to Oil and Gas-- STBs			25		\$38,760
2010 SS CAPITAL OUTLAY SWAPS AND VOIDS	Projects	Amount	Projects	Amount	
Voids and reversions	61	\$7,592	2,516		\$177,457
General Fund	50	\$6,346	2,026		\$123,111
STB	11	\$1,247	490		\$54,346
Vetoed	6	\$253	74		\$44,783
Voided GF funding swapped for STB funding	0	\$1,147	0		\$5,679
STB	4	\$1,147	29		\$5,679
Net Attributable to Oil and Gas Production		-\$1,999			-\$83,167
Attributable to Oil and Gas Production Voids		-\$3,088			-\$88,562
Attributable to Oil and Gas Production Swaps		\$1,090			\$5,395

Oil and Gas Support of Severance Tax and Other Capital Outlay Bond Programs					
OGAS % of STBs		95%			95%
OGAS % of General Fund		30%			30%
		SAN JUAN (\$1,000)		GRAND TOTAL (\$1,000)	
2011 CAPITAL OUTLAY PROJECTS	Projects	Amount	Projects	Amount	
Reauthorizations by County	7		123		
No new STBs were authorized					
2012 CAPITAL OUTLAY PROJECTS	Projects	Amount	Projects	Amount	
Summary for County	11	\$3,875	484	\$137,318	
STBs	4	\$3,218	280	\$107,514	
Other Funds	0	\$0	7	\$6,898	
Reauthorizations	0		3	\$0	
Amount Attributable to Oil and Gas Production		\$3,057		\$102,138	
Vetoes	7	\$657	194	\$22,906	
2013 CAPITAL OUTLAY PROJECTS	Projects	Amount	Projects	Amount	
Summary for County	15	\$7,706	785	\$269,340	
STBs	15	\$7,706	769	\$218,132	
Other Funds	0	\$0	16	\$51,208	
Amount Attributable to Oil and Gas Production		\$7,321		\$207,225	
Vetoes	3	\$130	72	\$4,402	

10. For questions, comments or criticisms of this work, contact:

Laird Graeser

lgraeser@cybermesa.com

505 424-9023

or

Richard L. Anklam, President & Executive Director, New Mexico Tax Research Institute

Richard.Anklam@nmtri.org

505-269-6791